

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3138-01
Bill No.: HB 1178
Subject: Agriculture and Animals; Taxation and Revenue-General-Income
Type: Original
Date: January 14, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$22,007)	(\$23,300,000)	(\$25,100,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$22,007)	(\$23,300,000)	(\$25,100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a tax credit for individual taxpayers equal to the amount of personal property taxes paid on grain and other agricultural crops in an un-manufactured condition, livestock and farm machinery. The tax credit is non-refundable, but can be carried over for up to three years. The tax credit is effective for all tax years beginning on or after January 1, 2002.

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation will need one temporary tax season employee (\$7.50 per hour) for every 130,000 returns claiming the credit (key entry) and one Tax Processing Tech I for every 2,000 credits received (processing). The Division will also need one Tax Processing Tech I for every 3,000 pieces of correspondence received regarding the credit.

This legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of overtime at a cost of \$46,170. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs. Modifications to the income tax returns and schedules will be completed with existing resources.

Oversight, for purposes of this fiscal note, has assumed the Division of Taxation could handle the provisions of this proposal utilizing 260 hours of overtime at a cost of \$13,000. In addition to the programming changes, Oversight has allowed \$9,007 in funding for the State Data Center charges.

State Tax Commission (TAX) officials state this proposal would not impact its agency. In a response to similar prior legislation, TAX stated the proposal would give an income tax credit for personal property taxes paid on agricultural stock, equipment, etc. Those taxes total about \$25 million a year, not all of which would be eligible, since the credit does not exceed income tax liability, and some might have higher property taxes than income taxes. It will result in a somewhat significant decrease in state revenue.

Officials of the **Office of Administration, Budget and Planning (BAP)** did not respond to our request for a fiscal note. However, in a response to similar prior legislation, BAP states that for calendar year 1999 personal property taxes for Livestock, Farm Machinery and Grain totaled \$22.8 million. According to the State Tax Commission, personal property tax is expected to grow at 8% annually and that 25% of the credit could not be used because the credit cannot exceed the taxpayers' individual income tax liability. Revenue losses are estimated to be \$23.3 million in FY04 and \$25.1 million in FY05.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>			
Qualified personal property tax credits	\$0	(\$23,300,000)	(\$25,100,000)
<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$22,007)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$22,007)</u>	<u>(\$23,300,000)</u>	<u>(\$25,100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

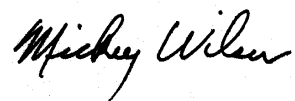
This bill allows a taxpayer, beginning January 1, 2002, to receive a non-refundable individual income tax credit equal to the amount of personal property tax paid during the tax year on grain and other agricultural crops, livestock, and farm machinery.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation could result in a decrease in Total State Revenues.

SOURCES OF INFORMATION

State Tax Commission
Department of Revenue

NOT RESPONDING: Office of Administration



L.R. No. 3138-01
Bill No. HB 1178
Page 4 of 4
January 14, 2002

Mickey Wilson, CPA
Acting Director
January 14, 2002